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No. 99-1526

Supreme Court, U.S.
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In The

Supreme Court of the United States

THE UNIVERSITY OF COLORADO FOUNDATION, INC., THE UNIVERSITY OF COLORADO, THE REGENTS OF THE UNIVERSITY OF COLORADO, ROBERT H. ALLEN AND PAUL A. SELIGMAN,

Petitioners,

v.

AMERICAN CYANAMID COMPANY,

Respondent.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

REPLY BRIEF IN SUPPORT OF PETITION FOR A WRIT OF CERTIORARI

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ARGUMENT

The Federal Circuit's imposition upon the copyright owner of the burden of proving both the infringer's gross revenue and that the revenue is "attributable" to the infringement disturbs heretofore circuit unanimity and the intent of 17 U.S.C. § 504(b).

Six courts of appeals hold that, under § 504(b), the copyright owner need only prove an infringer's gross revenue and the infringer must prove that the gross revenue is not "attributable" to the infringement. The Federal Circuit has broken rank: it requires the copyright owner to shoulder both burdens.

The respondent American Cyanamid's opposition to *certiorari* review of the Federal Circuit's decision is rooted in an argument that the decision below is consistent with other circuit courts of appeals.

Cyanamid, however, cites no case which held, as the Federal Circuit did, that the copyright owner "ha[s] the burden to show th[e] connection," Pet. App. 17a, between the infringement and the gross revenue from the infringement.

Russell v. Price, 612 F.2d 1123 (9th Cir. 1979), cited by Cyanamid, does not support its argument. Cyanamid emphasizes the Ninth Circuit's statement that the copyright owner had the burden of establishing "that the infringer's profits to which the copyright proprietor may be entitled consist of the gross receipts or sale profits *from* the infringing use of the plaintiff's work." 612 F.2d at 1130, *quoted in* Opp. at 18 (emphasis in Opp. Brief).

Russell, which the Federal Circuit below did not rely upon, will not shoulder the load Cyanamid places upon it. The language Cyanamid relies on is unremarkable, for it merely restates the first sentence of § 504(b): the copyright owner "is entitled to recover . . . any profits of the infringer that are attributable to the infringement."

It is the second sentence of § 504(b), however, that prescribes the procedure by which infringing profits are calculated and, importantly, assigns the burdens of proof

alternately to plaintiff and defendant: "In establishing the infringer's profits, the *copyright owner* is required to present proof *only* of the infringer's gross revenue, and the *infringer* is required to prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work." (Emphasis supplied.) The Ninth Circuit in *Russell* was not called upon to perform this textual analysis.

If, as Cyanamid argues, *Russell* is properly read to hold that the copyright owner is saddled with both the burden of proving profits and attribution, it would be difficult to explain the Ninth Circuit's recitation five years later of the above § 504(b) analysis in accord with the other circuits.[1] *See Cream Records, Inc. v. Joseph Schlitz Brewing Co.*, 754 F.2d 826, 828 (9th Cir. 1985) (noting that § 504(b)'s second sentence "defines and allocates the burden of proof").

The Petition cited a number of cases in six circuits that have rejected the Federal Circuit's view of § 504(b). Cyanamid does not dispute that these cases place the burden of proving attribution on the copyright infringer once the copyright owner has presented proof of the infringer's gross revenue. *See* Opp. at 18-19. That point is beyond dispute, since the circuits have made it clear that they read § 504(b) quite literally – the copyright owner has only the burden § 504(b) expressly assigns to her. *See, e.g., Data General Corp. v. Grumman Systems Support Corp.*, 36 F.3d 1147, 1173 (1st Cir. 1994) ("The defendant's burden under the apportionment provision of § 504(b) is primarily to demonstrate the absence of a causal link between the infringement and all or part of the profits claimed by the plaintiff."); *Stenograph L.L.C. v. Bossard*

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[1] Even if the Ninth Circuit had assigned to the copyright owner the burdens of proving gross revenue and attribution, as the Federal Circuit did below, this fact would *support*, not detract from, the Petitioners' argument that this Court's intervention is necessary to settle the intercircuit conflict over the proper allocation of the burdens identified in § 504(b).

Assocs., 144 F.3d 96, 103 (D.C. Cir. 1998) (after copyright owner introduced financial statement containing infringer's gross revenues for relevant time period, "the burden shifted to [the infringer] under § 504(b) to 'prove his or her deductible expenses and the elements of profit attributable to factors other than the copyrighted work' "); *see generally* Pet. at 10 (citing cases).

Instead, Cyanamid parses the facts of these cases and claims that they, like the Federal Circuit's decision below, stand for the proposition that a copyright owner may not recover profits based on gross revenue which bears "no connection to the copyright violation." Opp. at 18. This is a strange way to discuss the intercircuit conflict created by the Federal Circuit's allocation of the § 504(b) burdens – and particularly its conclusion that the copyright owner must prove that the infringer's gross revenue is "attributable" to the infringement.

If Cyanamid's argument is intended to suggest that the petitioners failed to carry their "minimal burden," *Data General Corp.*, 36 F.3d at 1173, of producing evidence of Cyanamid's gross revenues from the sales of reformulated Materna, the facts do not support the argument. Cyanamid concedes its liability for copyright infringement. To obtain a patent on the University doctors' invention of a chemical formulation permitting proper iron absorption, Cyanamid completed a patent application by surreptitiously cutting-and-pasting, tracing and plagiarizing the doctors' manuscript that creatively explained how their invention worked. *See* Pet App. 40a. Armed with the patent so obtained, Cyanamid exclusively sold the only prescription prenatal multivitamin in the market using the University doctors' invention, reaping $158,738,000 in net sales over the course of 14 years. In accord with § 504(b), Cyanamid introduced this net sales figure into evidence.[2] Thus, unlike Judge Posner's

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[2] Despite repeated requests in discovery, Cyanamid never produced information concerning its gross profits or gross

hypothetical in *Taylor v. Meirick*, 712 F.2d 1112, 1122 (7th Cir. 1983), *quoted in* Opp. at 17, this is not a case in which the copyright owner presented proof of "the infringer's gross revenues from the sale of everything he sold." To the contrary, the gross revenues/net sales the petitioners introduced were based solely on Cyanamid's sale of *one* thing: reformulated Materna.

If Cyanamid is making a proximate-cause argument, it misses the point altogether. The question raised by the Federal Circuit's allocation of burdens – and the question presented for *certiorari* review – is not the strength or weakness of the "connection" between Cyanamid's copyright infringement and the gross revenue attributable to its infringement, but rather "who has the burden of proof in cases like this one," *Westinghouse Co. v. Wagner Co.*, 225 U.S. 604, 614 (1912), *cited in Sheldon v. Metro-Goldwyn Corp.*, 309 U.S. 390, 402 (1940), of proving or disproving that "connection," or "causal link," *Data General Corp.*, 36 F.3d at 1173.

Cyanamid also argues that "Petitioners did not, and could not" prove that its infringement "resulted in the issuance of the patent." Opp. at 21. Like its proximate-cause argument, however, this argument confronts an issue not presented by the Federal Circuit's disposition of the petitioners' copyright claim. This argument assumes the copyright owner has the burden of proving attribution, but that is the very question the Federal Circuit's divergence from circuit unanimity raises.

At the end of the day, none of Cyanamid's arguments helps bridge the divide created by the Federal Circuit. Thus, the courts in enforcing the Copyright Act will be required to confront the problem unaided by circuit consensus: When the copyright owner has proven infringement and has discharged the only duty regarding her remedy specifically imposed upon her by § 504(b) –

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revenues on reformulated Materna or information concerning foreign sales of reformulated Materna.

namely, "present[ing] proof only of the infringer's gross revenue" – may she rely on the burden § 504(b) on its face imposes on the infringer to prove that his profits are "attributable to factors other than the copyrighted work," as no fewer than six courts of appeals hold? Or is she required to carry an additional burden that the gross revenue she has proven is attributable to the infringement, as the Federal Circuit holds?

The question provoked by the Federal Circuit's decision not only creates a disturbance in the law governing how courts will impose a "rule of liability which . . . takes away the profits from an infringement," *F.W. Woolworth Co. v. Contemporary Arts, Inc.*, 344 U.S. 228, 233 (1952), but also casts doubt on the effectiveness of the venerable policy underlying copyright law "to discourage wrongful conduct," *id.*

CONCLUSION

The Court should grant a writ of *certiorari* to the Court of Appeals for the Federal Circuit.

Respectfully submitted,

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